FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

January 4, 2002

Docket No. EL00-95-050

Dewey Ballantine, LLP
Attention: Zori G. Ferkin, Esq.
Attorney for RAMCO, Inc.
1775 Pennsylvania Ave., NW
Washington, DC 20006-4605

Dear Ms. Ferkin:

By letter dated November 7, 2001, as amended on November 8, 2001, you submitted for filing with the Commission, on behalf of RAMCO, Inc. (RAMCO), cost justification for bids from its Chula Vista and Escondido units submitted in the month of October 2001 for wholesale sales in the California Independent System Operator (ISO) and Western System Coordinating Council (WSCC) markets in excess of the proxy market clearing price (mitigated price) in October 2001.[1] RAMCO states that its filing was made pursuant to the Commission's order issued on June 19, 2001, San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services into Markets Operated by the California Independent System Operator Corporation and the California Power Exchange Corporation, et al., 95 FERC ¶ 61,418 (June 19 Order), order on clarification and reh'g, 97 FERC ¶ 61,275 (December 19, 2001).[2] On December 7, 2001, Southern California Edison Company filed a protest, urging rejection of the cost justification. RAMCO's submittal is rejected as unsupported, as discussed below.

We have previously rejected as unsupported timely cost justifications submitted pursuant to the June 19 Order. See San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services into Markets Operated by the California Independent System Operator Corporation and the California Power Exchange Corporation, 96 FERC ¶ 61,254, clarified, 97 FERC ¶ 61,061 (2001), and 97 FERC ¶ 61,012 (2001). In those orders, we explained that rejection is warranted where the suppliers fail to identify any significant change in the natural gas markets and do not document their entire gas

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[1]RAMCO requested confidential treatment for its filing pursuant to section 388.112 of the Commission's regulations. 18 C.F.R. § 388.112 (2001).

[2]See also San Diego Gas & Electric Company, et al., 95 FERC ¶ 61,115 (2001) (April 26 Order).

portfolios or the allocations among all their resources during the relevant time(s), as required by the June 19 Order.

We find that RAMCO similarly fails to identify any significant change in the natural gas market and fails to document its entire gas portfolio or the allocation among all its resources during the relevant time. RAMCO's cost justification also includes fixed and variable costs related to start-up, as well as other fixed cost recovery components. These cost components are inappropriate and are thereby rejected. Start-up costs are invoiced to the ISO separately and therefore cannot be used as cost justification.

All other capital cost recovery components are also rejected. We note that your submittal indicates that the RAMCO Chula Vista and Escondido units are subject to Summer Reliability Agreements and Reliability Must Run Contracts that provide for the separate recovery of capital costs. For example, the ISO reports that RAMCO receives annual fixed charge payments of over $14 million for the participation of RAMCO's units in the ISO's Summer Reliability Agreement program (see California ISO 2001 Operations Economic Report, at p. 19). Since these payments are designed to cover the capital costs of these units, any further recovery would not be warranted. Consistent with the April 26 Order and the June 19 Order, RAMCO hereby is directed to refund any amounts received in excess of the mitigated price.

Finally, we note that your submittal (at p. 5) requests that the cost justification be accepted as the basis on which RAMCO can make future bids for energy from its units. It is inappropriate to request acceptance of future rates in a compliance filing such as the instant submittal which involves cost justification for RAMCO's October 2001 bids. Accordingly, your request is hereby denied.

To the extent that other sellers in California and the rest of the WSCC had transactions in excess of the mitigated price during October 2001, and those sellers have not filed cost justifications for such transactions, the time for them to justify such transactions has lapsed, and they are not entitled to receive more than the mitigated price for such transactions.

By direction of the Commission.

Linwood A. Watson, Jr.,
Acting Secretary.